

TITLE 4. BUSINESS REGULATIONS.
DIVISION 18. CALIFORNIA GAMBLING CONTROL COMMISSION.
CHAPTER 7. CONDITIONS OF OPERATION FOR GAMBLING ESTABLISHMENTS.

ARTICLE 3. ~~[RESERVED]~~MINIMUM INTERNAL CONTROL STANDARDS (MICS)
FOR GAMBLING ESTABLISHMENTS.

§ 12380. Minimum Internal Control Standards.

(a) “Minimum Internal Control Standards” or “MICS” are the minimum requirements to operate a gambling establishment as set forth in this chapter, including but not limited to administration and accounting controls, and segregation of duties. A licensee must meet or exceed these requirements in controlling its gambling operation.

(b) MICS require the maintenance of reliable data, the safeguarding of assets and records, operational efficiency and integrity, and adherence to prescribed policies and procedures.

(c) Failure by a licensee to comply with the requirements of this article or to cure a deficiency noticed pursuant to subsection (g) of Section 12381 constitutes an unsuitable method of operation and is a ground for disciplinary action.

(d)(1) For purposes of this article:

(A) “Tier One” licensee means an owner licensee authorized to operate one to ten tables or having an annual gross gaming revenue up to and including \$50,000.

(B) “Tier Two” licensee means an owner licensee authorized to operate one to ten tables or having an annual gross gaming revenue over \$50,000, up to and including \$200,000.

(C) “Tier Three” licensee means an owner licensee authorized to operate eleven to twenty-five tables or having an annual gross gaming revenue over \$200,000, up to and including \$1,000,000.

(D) “Tier Four” licensee means an owner licensee authorized to operate eleven to twenty-five tables or having an annual gross gaming revenue over \$1,000,000, up to and including \$10,000,000.

(E) “Tier Five” licensee means an owner licensee authorized to operate twenty-six to seventy-five tables or having an annual gross gaming revenue over \$10,000,000, up to and including \$40,000,000.

(F) “Tier Six” licensee means an owner licensee authorized to operate more than seventy-five tables or having an annual gross gaming revenue over \$40,000,000.

(2) When each Tier criterion for a licensee applies to a different Tier, the licensee’s Tier designation shall be the higher of those Tiers.

NOTE: Authority cited: Section xxxxx, Business and Professions Code. Reference: Section xxxxx, Business and Professions Code.

§ 12381. Policies and Procedures.

(a) All licensees shall have policies and procedures that shall address each major area of the gambling establishment operations and meet or exceed the MICS contained in this article.

(b) All licensees shall assign the overall responsibility for establishing, periodically reviewing, monitoring, and testing for compliance their policies and procedures to a specific member of management and shall document the assignment in the licensee’s policies and procedures. The tests for compliance shall be performed at least annually, and may be performed by a licensee’s staff, other than the person or persons who normally perform the duties being tested, or by agents or outside consultants (e.g., a certified public accountant) for the licensee. The results of the tests, and a detailed record of the efforts to correct any noncompliance found as a result of the tests, shall be documented and the documentation retained by the licensee.

(c) Policies and procedures shall be communicated to employees through new employee orientations and periodic training sessions.

(d) Adherence to established policies and procedures shall be required.

(e) A licensee’s policies and procedures shall be made available on request for the Commission and/or Bureau to review. On request, copies of the licensee’s policies and procedures shall be provided, within a time specified, to the Commission or Bureau.

(f) If the Commission or Bureau determines that the policies and procedures do not adequately address the requirements of this article, the Commission or Bureau shall issue a determination identifying the deficiencies and specifying a time certain within which those deficiencies must be cured.

(g) Unless otherwise specified in this chapter, all forms, books, records and any and all other original source or duplicate documentation required to be maintained by a licensee in this chapter

shall be recorded in English, in permanent form, and maintained for a minimum of seven years in a secured area on site at the gambling establishment or at a California facility approved in advance by the Bureau.

(h) Licensees shall establish and implement policies and procedures in accordance with the applicable provisions of this section no later than [the first day of the first full month six months following the effective date of this section].

NOTE: Authority cited: Section xxxxx, Business and Professions Code. Reference: Section xxxxx, Business and Professions Code.

§ 12384. Drop and Timed Collection.

(a) The policies and procedures for all licensee Tiers shall meet or exceed the following standards for timed drop collection:

(1) Drop collection fees shall be deposited into a secure container, known as a “drop box,” that shall be securely attached to the gaming table. A drop box shall be constructed and controlled in a manner to provide for the security of its contents.

(2) If offered, jackpot collections shall be deposited into a separate drop box or otherwise segregated and accounted for separately.

(3) The times(s) for the collection of the drop boxes and the count shall be established by the licensee and shall be conducted at the same time(s) each day.

(4) When a drop box is removed from a gaming table, all gaming activity at that table shall cease until the drop box has been removed and replaced with a new drop box.

(5) A drop box removed from a gaming table, whether in use or not, shall be afforded security sufficient to protect the drop box and shall be transported directly to a count area or cage by security department personnel. If there are no security department personnel to perform the transport, only a key employee or owner shall transport the drop box.

(6) A drop box that is not attached to a gaming table shall be stored in a secure area. A drop box, when not in use during a shift, may be stored on a gaming table if the entire area is secure or covered by surveillance during that period of time.

(7) Drop boxes shall have all of the following:

(A) A lock securing the contents.

(B) A separate lock securing the drop box to the gaming table. This lock shall be keyed differently from the lock securing the contents of the drop box.

(C) A readily legible number at least three inches (3") in height, permanently imprinted or impressed, and corresponding to a number affixed to the gaming table to which the drop box is attached. A drop box that is removed from a table more than once during an operating day shall also have the shift number or name imprinted or impressed along with the table number in numbers and/or letters at least three inches (3") in height.

(D) An opening through which chips collected for fees shall be inserted.

(8) An emergency drop box may be maintained without a number or marking, if the word "emergency" is permanently imprinted or impressed thereon and, when put into use, it is temporarily marked with the number of the gaming table and identification of the shift.

(b) In addition to the requirements of subsection (a), the policies and procedures for licensee Tiers Three and Four shall include standards for drop collection that require at least one member of the security department to be physically present to oversee the transport of the drop box to the cage or count room.

(c) In addition to the requirements of subsections (a) and (b), the policies and procedures for licensee Tiers Five and Six shall include the following standards for timed drop collection:

(1) The security department shall notify the surveillance department whenever a drop box is to be removed from a gaming table.

(2) The drop box, whether in use or not, shall be removed from the gaming table at the time(s) established in paragraph (3) of subsection (a) by at least one member of the security department accompanied by at least one employee of the gaming operation department who shall monitor the removal and transport.

(3) The drop box, once removed from the gaming table, shall be secured for transport in a cabinet or trolley which is locked with two keys; one controlled by the security department and the other controlled by the gaming operation department. The process shall be documented and the member(s) of the security department and the member(s) of the gaming operation department who monitored the collection process shall legibly print their names and sign the documentation.

(4) A drop box, when not in use during a shift, may be stored on a gaming table if the entire area is covered by recorded video surveillance during that period of time.

(d) Licensees shall establish and implement the applicable standards for timed drop collection specified in subsections (a) through and including (d) no later than [the first day of the first full month six months following the effective date of this section].

NOTE: Authority cited: Section xxxxx, Business and Professions Code. Reference: Section xxxxx, Business and Professions Code.

§ 12385. Count; Count Room Functions.

(a) The policies and procedures for all licensee Tiers shall meet or exceed the following standards for count room functions:

(1) The licensee shall ensure the contents of drop boxes are counted and recorded in a manner and in a location within the licensed gambling establishment that ensures the proper accountability of all gaming chips.

(2) The licensee shall designate count team members. The opening, counting and recording of the contents of a drop box shall be performed in the presence of and by those employees designated as count team members. The count team must consist of at least two employees who shall not be in a position to perpetrate or conceal errors or irregularities in the normal course of duty. The count team members shall not be in a position to record transactions as well as have access to the relevant assets.

(3) Drop box counts shall be permanently recorded in ink or another form approved by the owner licensee, on a daily count sheet which documents the name of the gambling establishment, date of the count, total number of boxes counted, shift, individual box number or table number of the box to be counted, amount in each individual box, and the printed names and signatures of the count team members conducting the count. Corrections to the information initially recorded prior to the completion and signing of the daily count sheet by the count team members shall be permitted. Those corrections shall be made by drawing a single line through the error and writing the correct figures above the original figures or by another method approved by the Bureau. The count team member making the correction shall write his or her initials and the date, in ink, immediately next to the correct figures. The correction of errors in a daily count sheet discovered subsequent to the completion and signing by the count team shall require the completion of a revised or amended count sheet, which shall be maintained with the original count sheet.

(4) The entire count process shall be continuously recorded by video surveillance.

(b) In addition to the requirements of subsection (a), the policies and procedures for licensee Tiers Three through and including Six shall include the following standards for count room functions:

(1) The licensee shall maintain a secured area known as the count room for the counting of gaming chips, which shall:

(A) Be a fully enclosed room with only one entry designed and constructed to provide maximum security for the materials housed therein and for the activities conducted therein;

(B) Contain an alarm device connected to the entrance of the count room which causes a signaling to the surveillance department whenever any door to the count room is opened; and,

(C) Not be used as a storage facility, nor have containers that could be used to conceal chips or cash.

(2) Count room employees shall be attired so as prevent the concealing of chips, for example by wearing smocks or other clothing with no pockets, with the objective of taking all reasonable steps to eliminate means of concealing chips.

(3) Immediately prior to the commencement of the count, one count team member shall notify the surveillance department that the count is about to begin.

(4) Immediately prior to the opening of a drop box, the door to the count room shall be securely locked and except as otherwise authorized, a person shall not be permitted to enter or leave the count room, except during a normal work break or in an emergency, until the entire counting, recording, and verification process is completed. The entire count process shall be continuously monitored and recorded by video surveillance.

(5) Contents of drop boxes shall not be mixed prior to the counting and recording of a drop box.

(6) Drop boxes shall be emptied in a manner so that surveillance cameras can record that all contents have been removed from drop boxes for the count.

(7) At the conclusion of the count, a count team member shall present all chips to a cashier who, prior to having access to the information on the count sheet, shall count the chips received in the presence of the count team, and then verify the accuracy of the count by signing the count sheet.

(8) Count sheets shall be immediately remitted by a count team member to the accounting department or deposited in a locked box accessible only by the accounting department. Count sheets shall be maintained and controlled by the accounting department.

(c) In addition to the requirements of subsections (a) and (b), the policies and procedures for licensee Tiers Four through and including Six shall include standards for count room functions that require the count team designated pursuant to paragraph (2) of subsection (a) to consist of at least three employees who shall not be in a position to perpetrate or conceal errors or irregularities in the normal course of duty. The count team members shall not be in a position to record transactions as well as have access to the relevant assets.

(d) Licensees shall establish and implement the applicable standards for count and count room functions specified in subsections (a) through and including (c) no later than *[the first day of the first full month six months following the effective date of this section]*.

NOTE: Authority cited: Section xxxxx, Business and Professions Code. Reference: Section xxxxx, Business and Professions Code.

§ 12386. Cage Functions.

(a) The policies and procedures for all licensee Tiers shall meet or exceed the following standards for the cage:

(1) The licensee shall maintain a separate and secure area at a fixed location on the gaming floor that is designated as the cage. The cage shall be located, designed, constructed and operated to provide maximum security and accountability for funds.

(2) Access and entry into the cage area shall be limited to designated cage personnel listed on the gambling establishment organizational chart.

(3) A log shall be maintained documenting all persons, other than on-duty cage employees, entering the cage. The log must contain the person's name, title, time entering and exiting, reason for entering, and date of entry or provide equivalent information through an access control system. Any access control system must provide a secure, tamperproof means of recording entry and exit information.

(4) The licensee shall maintain a cashier's function to process gaming activity transactions through the cage. The cashier shall be responsible for, at a minimum, the following:

(A) Custody of the cage and vault inventory, which is comprised of currency, coin, patron checks, gaming chips, forms, documents and records consistent with the operation of a cage.

(B) Receipt, distribution, and redemption of gaming chips.

(C) Deposits to and withdrawals from players' banks and dealers' banks.

(D) Cashing checks and/or extensions of credit for patrons.

(E) Receipt of documentation for the reconciliation of activities of the gambling establishment that includes and/or identifies required signatures to demonstrate the effective supervision and segregation of duties in the cashier's cage.

(F) Preparation of cage accountability reconciliations and records necessary to document compliance with the requirements of this chapter.

(G) Maintenance of records necessary to document compliance with the requirements of Title 31 of the United States Code, Part 31 of the Code of Federal Regulations and subsection (a) of Section 12404 of this chapter.

(H) Performance of those other functions that are necessary to ensure proper accountability and the safeguard of funds and chips.

(5) Cage activity shall be reconciled after each shift by the incoming and outgoing cashiers. All transactions that flow through the cage shall be summarized on a cage accountability form for each shift. The cage accountability form shall include, at a minimum, all of the following:

(A) The date of the reconciliation;

(B) The designation of the shift being reconciled;

(C) An accounting of all items in the cage inventory (e.g., cash, coin, chips, players' and dealers' banks, etc.), for each cage window open during the subject shift, including:

1. The beginning balances;

2. All credits (receipts);

3. All debits (disbursements);

4. The ending balances;

5. An identification of any overage or shortage with an explanation.

(D) The printed name and signature of each cashier (incoming and outgoing) performing the reconciliation.

(6) The daily cage activity reconciliations specified in subparagraph (F) of paragraph (4) of this subsection shall be reconciled to the general ledger at least monthly by someone other than the cage cashier.

(7) The purchase or redemption of chips by a patron may only occur at the cage or from a designated gambling establishment employee on the gaming floor. Proposition player service providers may not purchase or redeem chips for cash or cash equivalents from a patron.

(b) In addition to the requirements of subsection (a), the policies and procedures for licensee Tiers Three through and including Six shall include standards for the cage that require an incoming cashier to make an independent count and compare the results with an outgoing cashier for accuracy and to maintain individual accountability. Both cashiers shall legibly print their names and sign the reconciliation forms in ink. Someone other than a cage cashier or cage supervisor shall reconcile the cage activity to the general ledger at least monthly.

(c) In addition to the requirements of subsections (a) and (b), the policies and procedures for licensee Tiers Four through and including Six shall include the following standards for the cage:

(1) The design and construction of the cage shall include:

(A) A manually triggered silent alarm system connected directly to the surveillance room(s) and a closed circuit television system or an alarm monitoring agency; and

(B) Access through a locked door, which shall have closed circuit television coverage that is monitored by the surveillance department.

(2) In addition to the information specified in paragraph (5) of subsection (a), the cage accountability form referenced therein shall include all of the following:

(A) An itemization of the beginning and ending balances for cash and coin by denomination;

(B) An itemization of the beginning and ending balances for chips by denomination;

(C) An itemization of the beginning and ending balances for all other items of monetary value (e.g., markers, patron checks, players' and dealers' banks, chip runners' banks, etc.), specifying the source of each;

(3) The licensee shall maintain a list of the names of all persons designated pursuant to paragraph (2) of subsection (a) as being authorized to access and/or enter the cage, which list shall specify those persons who possess the combination or the keys or who control the

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mechanism to open the locks securing the entrance to the cage, and those who possess the ability to operate the alarm system.

(d) Licensees shall establish and implement the applicable standards for cage functions specified in subsections (a) through and including (c) no later than *[the first day of the first full month six months following the effective date of this section]*.

NOTE: Authority cited: Section xxxxx, Business and Professions Code. Reference: Section xxxxx, Business and Professions Code.

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